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North Carolina's Estate Tax: Key Fiscal Issues to Consider in Estate Tax Changes

Alexandra Sirota, Director, NC Budget and Tax Center
North Carolina Justice Center
P.O. Box 28068 * Raleigh, NC 27611
Ph: (919) 861-1468, alexandra@ncjustice.org



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What is the Budget and Tax Center?

The Budget and Tax Center, a project of the N.C. Justice Center, seeks to create economic opportunity and shared prosperity for all North Carolinians through non-partisan research, education and advocacy on budget, tax and economic issues.

Visit us at www.ncbudgetandtaxcenter.org.



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Key Points

- 1. Very Few Estates Face Any Estate Tax Liability**
- 2. Evidence Suggests Little Impact on Interstate Migration to/from North Carolina**
- 3. Estate Tax Revenue Comparable to Appropriations for Key Public Investments**

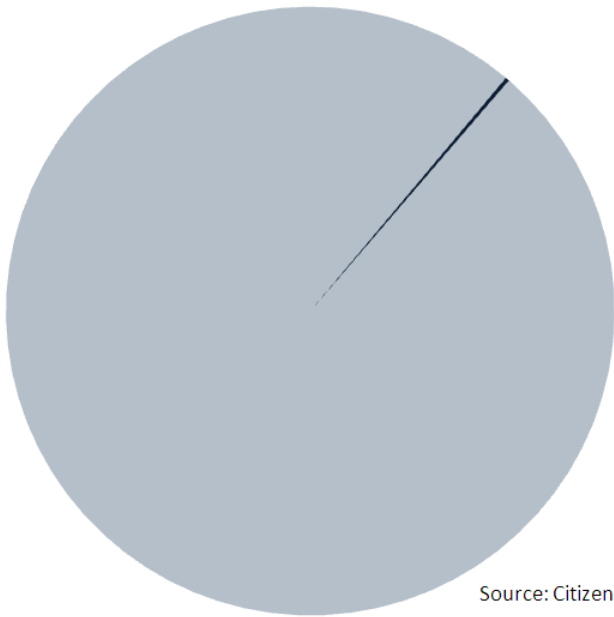


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Very Few Estates Face Any Estate Tax Liability

Roughly 2 in 1,000 decedents paid any estate tax in North Carolina in 2009



Source: Citizens for Tax Justice

From the Urban-Brookings Tax Policy Center:

“The estate tax is highly progressive. The top ten percent of income earners pays virtually all of the tax; over half is paid by the richest 1 in 1,000... [and] very few farms or businesses actually pay the tax.”

2011 Exemption Levels

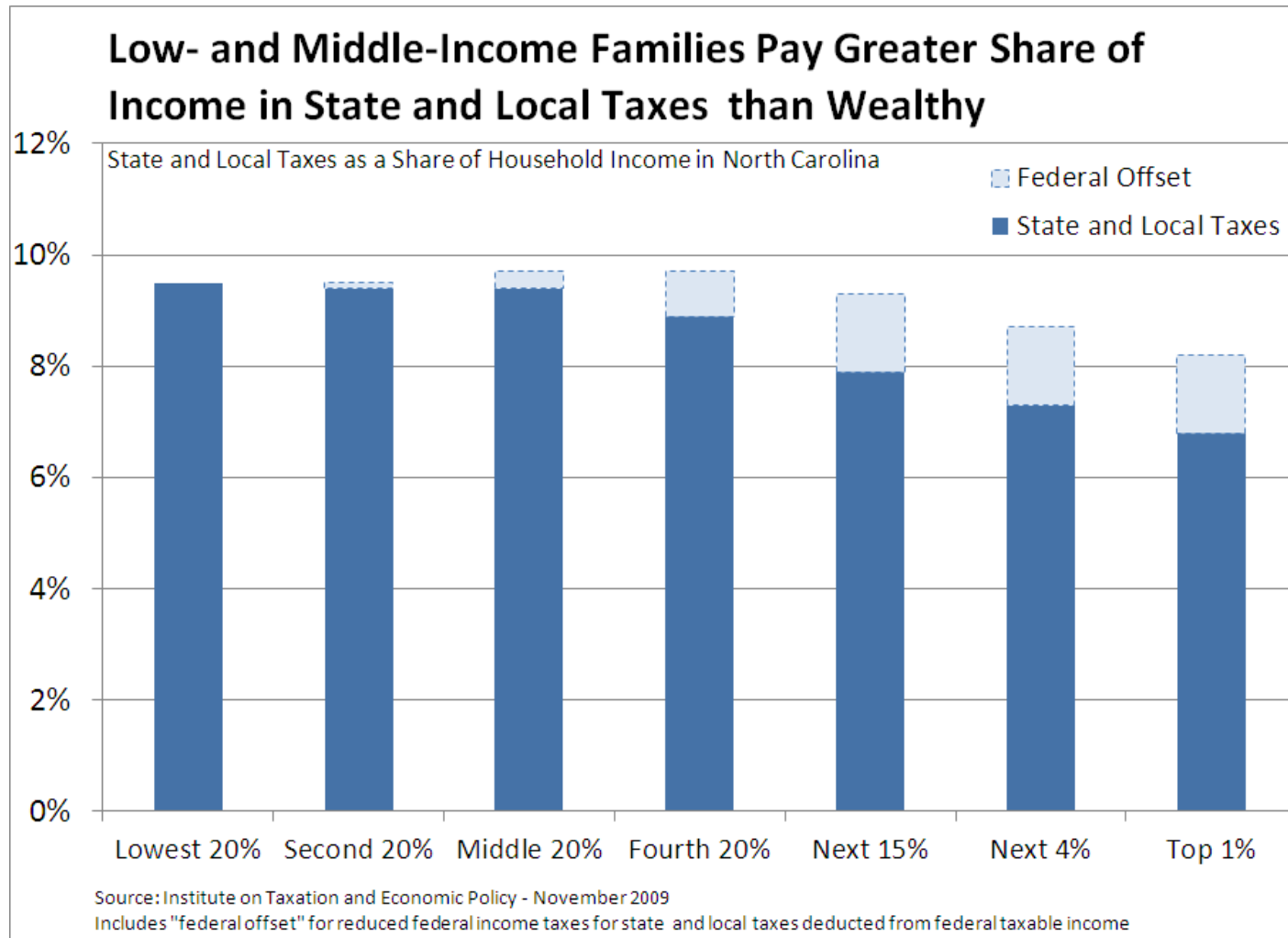
- \$5 million (\$10 million for couples)



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Estate Tax Falls Mostly on Income Group with Lowest State & Local Tax Rate





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Evidence Suggests Little Impact on Interstate Migration to/from North Carolina

Statistical Evidence: At most, a small impact

- Bakija & Slemrod (NBER, 2004)
 - Some wealthy migration, but revenue gained by state-level estate/inheritance taxes far exceeds losses from migration
- Conway & Rork (NTJ, 2006)
 - No evidence of elderly migration, past studies have causation backward (migration → tax-law changes)



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Evidence Suggests Little Impact on Interstate Migration to/from North Carolina

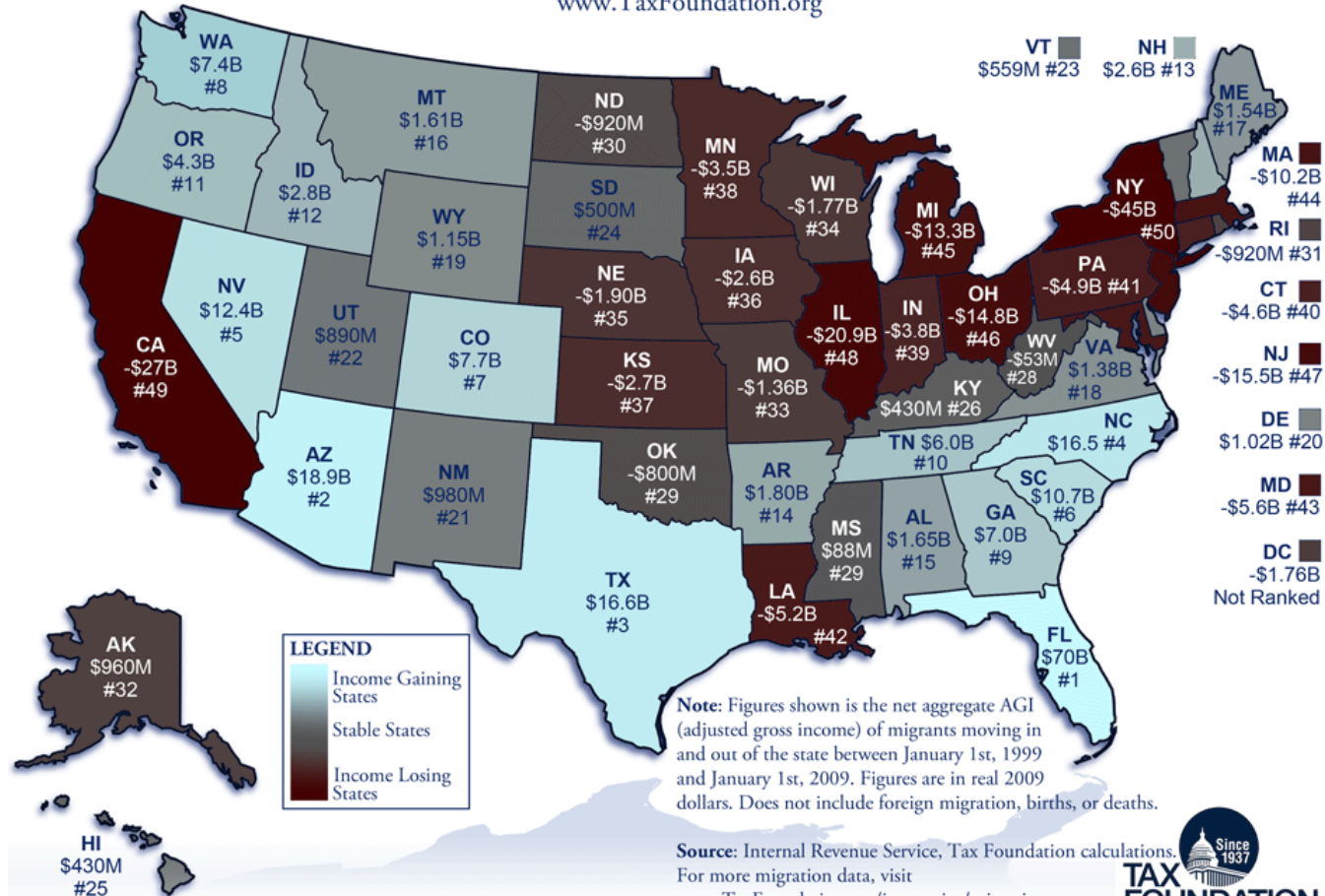
Top Five Income-Gaining States

1. Florida - \$70B
2. Arizona - \$18.9B
3. Texas - \$16.6B
4. North Carolina - \$16.5B
5. Nevada - \$12.4B

Annual Income Gained or Lost due to Interstate Migration

1999 - 2009

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Estate Tax Revenue Comparable to Appropriations for Key Public Investments

